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March 4, 1996

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**FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY**

Re: CC Docket 95-185


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Dear Mr. Caton:

Enclosed for filing please find an original plus nine (9) copies of the Comments of Frontier Corporation in the above-docketed proceeding.

To acknowledge receipt, please affix an appropriate notation to the copy of this letter provided herewith for that purpose and return same to bearer.

Very truly yours,


Michael J. Shortley, III

cc: Ms. Janice Myles

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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

In the Matter of)	
)	
Interconnection Between Local Exchange)	CC Docket No. 95-185
Carriers and Commercial Mobile)	
Radio Service Providers)	
)	
Equal Access and Interconnection)	CC Docket No. 94-54
Obligations Pertaining to)	
Commercial Mobile Radio)	
Service Providers)	

COMMENTS OF
FRONTIER CORPORATION

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March 4, 1996

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Summary

Frontier¹ submits these comments in CC Docket 95-185 in response to the Commission's Notice initiating this proceeding. The Notice presents some critical issues that will form the future of the wireless -- even the wireline -- industry. The Commission must apply economic pricing principles to interconnection because, under the Telecommunications Act, the time for robust competition in the wireless market is now, not next year or the next decade. The Commission should address the proposals contained in the Notice as summarized below.

First, the Commission should defer consideration of the issues raised in this proceeding. Newly-enacted section 251 of the Communications Act requires the Commission to adopt rules implementing the unbundling, interconnection and resale provisions of that section by August 8, 1996. The issues that will be raised in that proceeding necessarily encompass the issues raised here. Thus, rather than continue this proceeding, the Commission should consider all section 251 issues in a single proceeding.

Second, the basic pricing principle set forth in the Notice -- that the level of compensation be set at the long-run incremental cost of terminating traffic -- is economically correct. Pricing terminating compensation at economic cost will result in efficient investment decisions and maximize consumer welfare. To implement this policy, the Commission should adopt a symmetrical, reciprocal compensation model that utilizes

¹

The abbreviations used in this summary are defined in the text.

an appropriate benchmark rate that approximates long-run incremental cost. For exchange carriers, such as Frontier's subsidiary -- Rochester Telephone Corp. -- that have complied with the Commission's mutual compensation directive, the Commission should adopt this proposal in the context of an overall rate rebalancing through which rates that are currently below long-run incremental cost are permitted to rise. Rates for access services -- of which terminating CMRS traffic is a form -- have been held artificially high for social policy reasons. In this context, the Commission must address both sides of the equation.

Rather than requiring market participants to go through the tasks of calculating their own marginal costs, the Commission should utilize as the benchmark rate the .5 cent per minute (end office termination)/.75 cent per minute (tandem termination, including common transport and end office switching) rate structure currently offered by Ameritech in Illinois. If utilized, dedicated transport from the CMRS provider to the exchange carrier end office could be provided by the CMRS provider, a third party or the exchange carrier at its applicable trunking rates.

Third, for toll traffic originated by or terminated to CMRS subscribers, Frontier agrees that CMRS -- and other alternative local services -- providers be permitted to assess access charges based on the interconnection charge for the origination and termination of interstate interexchange calls. Such charges should default to the benchmark rate described above where it has been accepted by the CMRS provider as the interconnection rate for wireline carriers.

Fourth, to the extent that the Commission acts in this proceeding, it should apply whatever rules it promulgates to all CMRS providers. The Omnibus Budget Reconciliation Act of 1993 does not recognize the distinctions that the Commission posits in the Notice. There is no legal -- or, for that matter, factual -- basis to apply the rules to one class of CMRS providers, but not to others.

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Service Providers)	

COMMENTS OF
FRONTIER CORPORATION

Introduction

Frontier Corporation ("Frontier") submits these comments in CC Docket 95-185 in response to the Commission's Notice initiating this proceeding.¹ Frontier will organize these comments as requested by the Commission.² The Notice presents some critical issues that will form the future of the wireless -- even the wireline -- industry. The Commission must apply economic pricing principles to interconnection because, under the Telecommunications Act, the time for robust competition in the wireless market is now, not

¹ *Interconnection Between Local Exchange Carriers and Commercial Mobile Radio Service Providers*, CC Dkt. 95-185, Notice of Proposed Rulemaking, FCC 95-505 (Jan. 11, 1996) ("Notice").

The Commission subsequently extended, until March 4, 1996, the time to file comments and also requested comment on the effect of the recently-enacted Telecommunications Act of 1996 ("Telecommunications Act" or "Act") on the issues contained in the Notice. *Interconnection Between Local Exchange Carriers and Commercial Mobile Radio Service Providers*, CC Dkt. 95-185, Order and Supplemental Notice of Proposed Rulemaking, FCC 96-61 (Feb. 16, 1996).

² See Notice, ¶ 133 n.171 (suggested outline).

next year or the next decade. The Commission should address the proposals contained in the Notice as summarized below.

First, the Commission should defer consideration of the issues raised in this proceeding. Newly-enacted section 251 of the Communications Act requires the Commission to adopt rules implementing the unbundling, interconnection and resale provisions of that section by August 8, 1996. The issues that will be raised in that proceeding necessarily encompass the issues raised here. Thus, rather than continue this proceeding, the Commission should consider all section 251 issues in a single proceeding.³

Second, the basic pricing principle set forth in the Notice -- that the level of compensation be set at the long-run incremental cost of terminating traffic -- is economically correct. Pricing terminating compensation at economic cost will result in efficient investment decisions and maximize consumer welfare. To implement this policy, the Commission should adopt a symmetrical, reciprocal compensation model that utilizes an appropriate benchmark rate that approximates long-run incremental cost. For exchange carriers, such as Frontier's subsidiary -- Rochester Telephone Corp. -- that have complied with the Commission's mutual compensation directive, the Commission should adopt this

³ In CC Docket 94-54, the Commission requested comment on whether it should impose an equal access obligation on CMRS providers. *Equal Access and Interconnection Obligations Pertaining to Commercial Mobile Radio Services*, CC Dkt. 94-54, Notice of Proposed Rulemaking and Notice of Inquiry, 9 FCC Rcd. 5408 (1994). The Commission should terminate this proceeding. The Telecommunications Act relieves CMRS providers of any equal access obligations that they might otherwise have had. 47 U.S.C. § 705. It also contains a specific procedure pursuant to which, upon complaint and upon appropriate findings, the Commission may order certain forms of interconnection. The Act supersedes the Commission's CC Docket 94-54 rulemaking.

proposal in the context of an overall rate rebalancing through which rates that are currently below long-run incremental cost are permitted to rise. Rates for access services -- of which terminating CMRS traffic is a form -- have been held artificially high for social policy reasons. In this context, the Commission must address both sides of the equation.

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Fourth, to the extent that the Commission acts in this proceeding, it should apply whatever rules it promulgates to all CMRS providers. The Omnibus Budget Reconciliation Act of 1993 does not recognize the distinctions that the Commission posits in the Notice.

There is no legal -- or, for that matter, factual -- basis to apply the rules to one class of CMRS providers, but not to others.

Discussion

I. General Comments -- Deferral of This Proceeding

(Comments of Frontier Corporation, CC Docket
No. 95-185, March 1, 1996)

The Commission should defer consideration of the issues raised in this proceeding to the proceeding that the Commission is required to commence, and complete within six months, under section 251 of the Communications Act. That section requires the Commission to promulgate regulations implementing the unbundling, interconnection and resale obligations set forth in the Telecommunications Act. For these purposes, the Telecommunications Act does not distinguish CMRS providers from other telecommunications carriers. Thus, the issues raised in this proceeding will necessarily be encompassed in the section 251 proceeding.

Moreover, any interconnection and compensation rules that the Commission develops should apply to all facilities-based market participants, not just to CMRS providers. Neither different service classifications nor the utilization of different technologies should dictate the terms and conditions of reciprocal compensation arrangements. Technology is converging, service providers utilizing different technologies are competing for the same customers and all are assembling and offering integrated service packages. Unless special circumstances warrant, regulation should not favor one market participant over another.

The Commission could assure more consistent outcomes with less effort by avoiding overlapping proceedings. Thus, the Commission should examine the full range of section 251 issues in a single proceeding.

**II. Compensation for Interconnected Traffic
Between LECs' and CMRS Providers'
Networks**

(Comments of Frontier Corporation, CC Docket
No. 95-185, March 1, 1996)

Frontier will address its proposed compensation plan, together with the implementation issues, raised by the Commission.

A. Compensation Arrangements

In this section of its comments, Frontier sets forth: (1) an analysis of the general pricing principles set forth in the Notice; and (2) an evaluation of the pricing proposals set forth in the Notice.

1. General Pricing Principles

Frontier agrees with the Commission that the correct economic price for the termination of traffic is the long-run incremental cost of performing that function. The Commission should establish that policy as its permanent goal, not only for CMRS-exchange carrier compensation, but for all other forms of interconnection -- including interstate access -- as well. However, as the Commission correctly notes, there are a number of practical problems with implementing such a solution in the immediate future.⁴ The Commission may address these practical, near-term concerns by adopting a benchmark rate structure and rate level, such as that currently utilized by Ameritech in Illinois.

⁴ Notice, ¶¶ 56-57

2. Pricing Options

The Commission proposes consideration of two basic sets of compensation mechanisms: (1) a bill-and-keep mechanism governing the termination of traffic from the last point of switching and the subscriber;⁵ and (2) an access charge regime to govern the interoffice portion of such traffic.⁶ The Commission should adopt an alternative that more closely aligns the rate for traffic termination with the economic costs of performing that function. For the end office, common transport and associated tandem switching, the Commission should adopt as a benchmark the .5 cent per minute (end office termination)/.75 cent per minute (tandem termination, including common transport and end office switching) rate structure currently utilized by Ameritech in Illinois. Dedicated transport to that first point of switching, if provided by the exchange carrier, would be priced at the applicable trunking rates contained in that carrier's tariff.⁷

That part of the Commission's proposal to utilize existing trunking rates -- except for the transport interconnection charge -- for direct transport is appropriate. It recognizes that carriers receiving identical functionalities should pay identical prices. The technical and cost characteristics of interexchange carrier-exchange carrier interconnection are virtually identical to those utilized for exchange carrier-CMRS provider interconnection. Moreover, with the transport interconnection charge excluded from the calculation, the explicit subsidy

⁵ *Id.*, ¶¶ 60-62.

⁶ *Id.*, ¶¶ 63-65.

⁷ *See also supra* at 2-3.

mechanism in the trunking basket would not be used to distort the level of the compensation charge.

As Frontier understands it, the Commission's bill-and-keep proposal would apply to the "last mile," *i.e.*, from the last point of switching to the end-user subscriber. Rather than mandate a bill-and-keep arrangement, Frontier suggests that the Commission base a benchmark compensation for the end office, common transport and associated tandem switching on the regime currently offered by Ameritech in Illinois -- .5 cent per minute (end office termination)/.75 cent per minute (tandem termination, including common transport and end office switching). This approach ensures that the terminating carrier -- regardless of identity -- is compensated for terminating the originating carrier's traffic. In addition, this approach would base compensation on a reasonable approximation of long-run incremental cost that has already withstood administrative scrutiny.

Finally, the Commission asks whether asymmetric interconnection pricing should be allowed.⁸ The Commission is properly concerned about asymmetric bargaining power. However, with a symmetric benchmark pricing alternative available to both parties, as a matter of right, this concern is somewhat mitigated. Each party negotiates alternatives knowing that the symmetric benchmark pricing scheme is available if no negotiated alternative can be agreed to by both parties.

⁸ *Id.*, ¶ 80.

**B. Implementation of Compensation Arrangements --
Negotiations and Tariffing**

As Frontier suggests above,⁹ the Commission should prescribe benchmark rate elements and levels.¹⁰ Alternative arrangements could be negotiated among carriers. To avoid discrimination, the basic and negotiated compensation arrangements should be subject to a tariffing requirement. Not only is this approach comparatively administratively simple, it ensures that the reciprocal compensation arrangements will, in fact, be non-discriminatory.

As noted above, the Commission should provide CMRS providers and exchange carriers the flexibility to negotiate individual variations from the generic compensation rate elements found in exchange carrier tariffs. With a soon-to-be multitude of CMRS providers, it is likely that different CMRS providers may find somewhat individualized arrangements beneficial to their operations. The Commission should afford the parties this flexibility. All such individually-negotiated interconnection and compensation arrangements should be filed in the affected exchange carrier's tariff and be generally available to other similarly-situated telecommunications carriers.

The paradigm described above should provide sufficient flexibility for interconnected telecommunications carriers to negotiate arrangements that best suit their needs, yet

⁹ See *supra* at 8-9.

¹⁰ This is what is generally regarded as the "Best Alternative to a Negotiated Agreement."

provide sufficient safeguards to enforce the non-discrimination obligations set forth in the Communications Act.

III. Interconnection for the Origination and Termination of Interstate Interexchange Traffic

(Comments of Frontier Corporation, CC Docket No. 95-185, March 1, 1996)

For terminating access and originating access to long distance carriers where that occurs -- Frontier agrees with the Commission's proposal,¹¹ that CMRS providers be compensated for interexchange traffic originating or terminating on their networks. The same interconnection charges that apply between wireline and CMRS providers should be applied to the origination and termination of interstate traffic to a CMRS provider. This symmetry would assure that the CMRS provider receives the same rate that it expects to pay other systems for terminating its traffic. This would place a proper balance on the incentives of the CMRS provider to demand a symmetrical interconnection/access rate which is too high or too low.

¹¹ Notice, ¶ 116.

IV. Application of These Proposals
(Comments of Frontier Corporation, CC Docket
No. 95-185, March 1, 1996)

The Commission requests comment regarding to which CMRS providers any rules developed in this proceeding should apply.¹² The short answer is that such rules should apply to all CMRS providers. The Omnibus Budget Reconciliation Act of 1993 specifically contemplates, as the Commission recognizes,¹³ that all CMRS providers should be subject to regulatory parity. There is simply no legal basis for the Commission to codify the types of distinctions suggested in the Notice.

¹² *Id.*, ¶ 118.

¹³ *Id.*, ¶ 121.

Conclusion

For the foregoing reasons, the Commission should act upon the proposals contained in the Notice in the manner suggested herein.

Respectfully submitted,



Michael J. Shortley, III

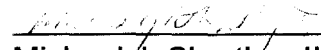
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March 4, 1996

Certificate of Service

I hereby certify that, on this 4th day of March, 1996, the foregoing Comments of Frontier Corporation were served by first-class mail, postage prepaid, upon the parties on the attached service list.



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